



THE INTERIM

A Monthly Newsletter of the Montana Legislative Branch

Volume XVI, No. 8

Helena, Montana

January 2008

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THE INTERIM

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THE INTERIM is a monthly newsletter that reports on the interim activities of legislative committees, including the Legislative Council, the Environmental Quality Council, the Legislative Finance Committee, the Legislative Audit Committee, and interim legislative committees and subcommittees staffed by the Legislative Services Division. Information about the committees, including meeting schedules, agendas, and reports, is found at <http://www.leg.mt.gov>. Follow the "Committees" link or the "Interims" link to the relevant committee. The newsletter is posted on the legislative branch website on the first of each month (follow the "Publications" link).

LEGISLATIVE COUNCIL

Legislative Council starts in on strategic plans...Two subcommittees of the Legislative Council met on Nov. 26 and the full council met Nov. 27 to discuss strategic planning and to take care of administrative matters.

Rules subcommittee asks legislators for assistance...The Rules subcommittee is reviewing the House, Senate, and joint rules and is soliciting comments and suggestions from legislators on changes and improvements to legislative rules. The subcommittee requests that each legislator send his or her suggestions to one of the four subcommittee members: Sen. Vicki Cocchiarella, Sen. Kelly Gebhardt, Rep. Bob Bergren, or Rep. Dennis Himmelberger. Subcommittee members will bring legislative responses to the next subcommittee meeting on Jan. 28. The subcommittee will begin with the joint rules and then proceed to the Senate and House rules.

Voting Systems subcommittee...The Voting Systems subcommittee reviewed a draft request for proposals to replace the House and Senate voting systems and displays. Because the systems are nearing the end of their useful lives, there is an opportunity to upgrade and integrate the systems with new technologies. The Legislature created an Information Technology Reserve Account that will be used to pay for the new systems. The Computer System Planning Council has included this as a part of its long-term planning. The new systems will be installed in the summer of 2008 and be ready for the 2009 legislative session.

Legislative budget items...The Legislative Council approved several budget items regarding statutory committee allocations and set the price for the annotations to the Montana Code Annotated at \$400 for a set or \$34 for an individual volume. The council approved a request for additional funding from Sen. Jim Elliott, presiding officer of the Water Policy Interim Committee. The council is monitoring interim committee budgets and will take into account the preference of interim committees to meet outside of Helena. The council will consider possible changes to interim budgets or policy to allow more committee travel in the future.

Strategic planning discussions...The council began discussing the topics that were identified during its strategic planning session last September. Members discussed decorum and media access in committee meetings and during floor action. Greg Petesch, Legislative Services Division legal director, summarized the rules on media in legislatures across the country. He told the council that it is the legislators' prerogative to determine how to handle decorum. The discussion centered on the practicality of cameras and media presence in small committee rooms and in cramped areas on the Senate floor. The council did not consider any proposals to change rules regarding the media access, but it will likely discuss the topic at its next meeting and the related topic of open caucuses.

Succession planning...Susan Byorth Fox, LSD executive director, discussed succession planning for legislative permanent staff, leadership, and House and Senate staff. According to Fox, about one-third of the legislative services and fiscal division staff will be eligible to retire by 2012, or before, and about 14 percent of Legislative Audit Division staff will be eligible to retire within the same time frame.

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Fox said that succession planning is important because many of these positions are job-specific positions or management positions.

Next meeting in January...The Legislative Council is scheduled to meet Jan. 29. The agenda for the January meeting will include discussions of 2009 session topics, including caucuses, legislator training, and session schedules; open caucuses; legislator pay, stipends, and related reimbursements; policies related to interim committees; the administrative rulemaking process; and a report on TVMT.

For more information, visit the Legislative Council's webpage or contact Susan Byorth Fox at sfox@mt.gov or (406) 444-3066.

NEW ELECTION CYCLE

Time and tide...Although the Legislature adjourned a mere eight months ago (not counting the two special sessions), the next election cycle is rapidly approaching. Below are filing and election dates for 2008.

Tuesday, January 22

- First day for candidates to file for office

Thursday, March 13

- Deadline for nomination petitions from independent and minor party candidates for partisan elections to be submitted for verification of signatures

Thursday, March 20

- Last day for candidates to file for office

Tuesday, June 3

- Primary election

Tuesday, November 4

- General election

ENERGY AND TELECOMMUNICATIONS COMMITTEE

Carbon sequestration, wind power, other topics scheduled for January meeting...During a Jan. 24 meeting, the Energy and Telecommunications Interim Committee is expected to discuss potential carbon sequestration legislation and dive into a study of the costs and benefits of future wind power development and integration.

The committee last met Nov. 8 and requested more information on the Interstate Oil and Gas Compact Commission model legislation and regulations for carbon sequestration. The model statute was designed to assist states looking at a regulatory framework for geological sequestration. An analysis of the model statute, along with

comments from the Montana Board of Oil and Gas and the Montana Department of Environmental Quality Water Quality Division are posted on the ETIC webpage.

With the IOGCC analysis and additional background information provided to the committee over the last six months, members will discuss carbon sequestration and determine whether members wish to make any recommendations or findings on the subject.

Wind power integration...Also at the January meeting, committee members will begin examining wind power integration. The costs associated with wind power can be reviewed in two areas. One is wind power integration, or the impacts of adding wind power into a utility's operations. A second is the cost of wind power as it relates to marketing that product or having adequate transmission to get it to market. The committee will hear presentations that cover both aspects.

A panel discussion will include an update on a wind power integration study that covers NorthWestern Energy's service area. The wind power integration study is being completed with the assistance of Phoenix Engineering, a wind engineering firm with offices in Alberta, Canada and Texas. The \$110,000 study is expected to be completed in the spring. The Governor's Economic Development Office, NorthWestern Energy, and Montana Alberta Tie Line are contributing about \$25,000 each toward the study. The Western Area Power Administration and eight wind power developers also are contributing to the study.

USB bill draft, other topics...Committee members will discuss a bill draft on universal system benefits. At the November meeting, members requested a draft bill that would eliminate the sunset for the electricity USB. The electric USB currently in law expires December 31, 2009. The Alternative Energy Resources Organization will talk about energy efficiency and conservation. In August 2007, AERO released its "Repowering Montana: A Blueprint for Home Grown Energy Self-Reliance." In addition, NorthWestern Energy will provide information on demand-side management. A public power discussion also is on the agenda.

Agenda for January meeting available...The ETIC meets Jan. 24 in Room 172 of the Capitol. An agenda for the meeting and additional committee information are available on the committee's webpage. For more information contact Sonja Nowakowski at snowakowski@mt.gov or (406) 444-3078.

ENVIRONMENTAL QUALITY COUNCIL

Climate change part of two-day meeting in January...The recently released Montana Climate Change Action Plan will get its first review by lawmakers during the January meeting of the Environmental Quality Council. The meeting starts at 1 p.m., Jan. 14 in Room 102 of the Capitol.

The Agency Oversight Subcommittee will meet in that room in the morning. The EQC will also meet Jan. 15.

The governor's Climate Change Advisory Committee crafted the plan, which contains 54 recommendations intended to reduce Montana's greenhouse gas emissions to 1990 levels by 2020. The recommendations cover a wide array of practices in the areas of energy supply, transportation and land use, agriculture, forestry, waste management, homes and businesses.

The Environmental Quality Council decided to examine climate change and the recommendations as part of its work this interim. Some of the recommendations in the action plan would require legislation to be implemented.

Members of the advisory committee and its technical workgroups are invited to comment as are members of the public. The report is available at <http://www.mtclimatechange.us/ewebeditpro/items/O127F14041.pdf>

Study of conservation easements...On Jan. 15, the EQC will continue its work on the HJR 57 study of conservation easements on trust lands. Representatives from conservation groups, agricultural interests, the wood products industry, and multiple use proponents will make presentations.

Also on the agenda are updates on energy development in the British Columbia portion of the Flathead Basin, the Environmental Public Health Tracking Project and water adjudication.

The closing circle...For more information, contact Joe Kolman, jkolman@mt.gov or (406) 444-9280. The agenda and other materials are available on the EQC webpage.

FIRE SUPPRESSION COMMITTEE

Back to school...No letter grades will be issued and no final exam awaits, but the Fire Suppression Interim Committee's Nov. 26 meeting did resemble a Wildfire 101 class.

Panel discussions focused on wildland fire management and the policy differences among various state, federal, and local agencies; the role of the Northern Rockies Coordinating Group and how incident management teams are formed and how they work; processes and procedures in dispatch; interagency coordination; population protection; and fire business management.

Members also toured the Helena interagency dispatch center and the Department of Natural Resources and Conservation's aviation facility and discussed efforts underway by a tri-county working group (involving Lewis and Clark, Broadwater, and Jefferson counties) to encourage mitigation activities in the wildland-urban interface (WUI).

The committee adopted a work plan and meeting schedule for the remainder of the interim.

Subcommittees to develop options...FSC formed two subcommittees--a WUI subcommittee and an Infrastructure subcommittee--to tackle the background research and development of options before the full committee goes on the road this spring.

During January and February, the WUI subcommittee will learn about current laws and local regulatory options with regard to development in the WUI, programs available to communities, previous legislative attempts to address development in the WUI, and how other states have dealt with this subject.

The Infrastructure subcommittee will explore DNRC operations funding, suppression funding, the state's financial relationship with federal agencies as well as operational relationships with tribal and federal resources. Options will be developed in both subcommittees for consideration by the full committee and for the purpose of seeking public input at field hearings.

Two members of the Infrastructure subcommittee, Sen. Ken Hansen and Rep. Jim Keane, have been assigned to work with fire contractors and to hold a formal public hearing on the contracting process in early March. Those members will bring their recommendations for action to the full committee.

Ambitious schedule adopted...Following is the meeting schedule, including field hearings, adopted by the committee for the remainder of 2008:

January 11, Room 152 state Capitol
Subcommittees meet in Helena

February 15
Subcommittees meet in Helena

March 4
Contractor hearing (with Rep. Keane, Sen. Hansen)

March 27-28
Subcommittees and FSC meet in Helena to finalize options

April 28-29
FSC meets in Hamilton

May 16
FSC meets in Lewistown

May 30
FSC meets in Miles City

June 19-20
FSC meets in Seeley Lake, Thompson Falls, Libby

July-August
FSC members travel to fires, individually and as group

September 12
Final meeting, final recommendations

Public encouraged to participate...As always, the committee is interested in public input, which can be provided on FSC's webpage, by contacting one of FSC's staff members, or by speaking directly to the committee at one of its meetings.

Burning desire for more information?...Check the FSC's webpage for more information and more details about the meetings as the dates approach. You may also contact Leanne Heisel, FSC staff and staff to the WUI subcommittee, at (406) 444-3593 or lheisel@mt.gov. Barb Smith, FSC's fiscal analyst, will be handling the Infrastructure subcommittee. She may be reached at basmith@mt.gov. Todd Everts, FSC's attorney, will be working with Sen. Ken Hansen and Rep. Jim Keane on contracting. He may be reached at teverts@mt.gov.

LEGISLATIVE FINANCE COMMITTEE

LFC meets in December...The Legislative Finance Committee met Dec. 11 and 12 in the Capitol. The agenda and reports for this meeting are available on the Legislative Fiscal Division (LFD) website, or you can contact Clayton Schenck for more information at cschenck@mt.gov or (406) 444-2986. The following are summaries of some key topics covered at the meeting:

Performance measurement initiative...The Legislative Finance Committee established a performance measurement initiative to determine agency progress in meeting goals or initiatives related to appropriations. Last October, the committee approved the monitoring of 167 goals and initiatives from over 800 submitted with the governor's budget. The first reports were heard at the December meeting. For most of the items, the committee received basic summary information rather than quantifiable data. In addition, the executive removed target dates, amounts, and percentages from the performance measures.

Based upon committee workgroup review, 19 goals and initiatives demonstrated progress and were released from review. Some common problems across program areas included delay in hiring new employees because of inadequate salaries, expertise needed, travel requirements, changes in implementation plans due to change in scope of the project related to funding levels, and changes in federal funding or regulations.

The committee will review the rest of the items throughout the interim. For more information on the Performance Measurement Initiative, contact Barb Smith at basmith@mt.gov or (406) 444-5347 or Kris Wilkinson at kwilkinson@mt.gov or (406) 444-5834.

Office of Public Defender cost containment...As part the performance measurement initiative, Randi Hood, chief public defender, discussed cost containment measures implemented by the Office of State Public Defender (OPD). Hood said that four cost containment measures have been implemented, including:

- Inclusion of regional deputy public defenders in budget development, allocation, monitoring and oversight for their respective region. Currently, expenditures for all regions are within the budget allocated to the region. Quarterly meetings are held with each regional deputy public defender to review and monitor the budget status of the region.
- Memorandums of Understanding are in place with attorneys working under contract with the OPD. Contractor billings are reviewed, adjusted, and approved by the contract manager or other management staff of the OPD.
- All costs for items such as expert witnesses and investigators must be pre-approved as specified in OPD policies and procedures.
- A mental health protocol including rates and a process for determining what services are needed for the specific case in question.

This item will be on the committee's March agenda. For more information, contact Pat Gervais at pgervais@mt.gov or at (406) 444-1795.

Department of Corrections Population Cost Management...The LFC reviewed the status of the Department of Corrections population estimates and cost projections. For the first quarter, DOC estimates that the average daily population (ADP) of offenders will be 150 and 101 less than the level budgeted for FY 2008 and FY 2009, respectively. LFD staff estimates that this might equate to a general fund cost reduction of \$5 to \$10 million for the biennium when compared to the budgeted level of funding. Based upon October data, the department estimates a general fund surplus of about \$850,000. Deficit spending is projected in some areas of the department in part due to the costs of outside medical care, overtime, and employee pay adjustments to the market level of pay for the position over a five year period. The area showing the largest surplus of funding is contract beds where the department estimates about \$2.1 million of the appropriation will not be expended. While no funding included in a biennial appropriation for additional contract beds (\$4.2 million) and an appropriation for sex offender treatment (\$0.5 million) has been expended, the department is projecting these funds to be fully expended by fiscal year end. Given that none of the funds in these two appropriations have been expended to date and that the estimated population is lower than budgeted, it would seem likely that some or all of these appropriations will revert to the general fund. It should be noted, however, that the funding for additional contract beds is a biennial appropriation and thus any unexpended balance will be carried forward to FY 2009, and if not expended in that year, would revert to the general fund.

The department is working on development of about 116 contracted sex offender treatment beds and plans to use a portion of the funding included in a biennial appropriation for population growth for this purpose. While the department has stated its goal is to have these sex offender treatment beds in place beginning in the spring of 2009, the current

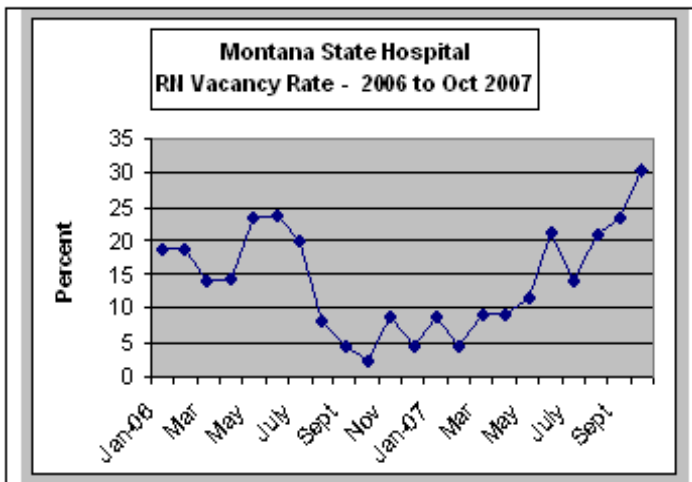
population projection does not anticipate these beds will impact the average daily population of offenders until FY 2010, a delay of one year when compared to information presented during the legislative session. Thus, it would seem that all or a portion of the \$6.2 million earmarked for this purpose would revert to the general fund at the end of the 2009 biennium and be one component of the \$5 to \$10 million cost reduction mentioned previously. The department will need to request funding for these beds in its 2011 biennium budget since it is unlikely that any costs related to these beds will be incurred in FY 2008, the base budget year for the 2011 biennium budget.

For more information, contact Pat Gervais.

Montana State Hospital... A report was presented on challenges facing the Montana State Hospital. The state hospital is the only state-operated inpatient psychiatric hospital in Montana. It is also the facility most likely to provide inpatient psychiatric hospital care longer than 30 days.

MSH has a licensed capacity of 189 beds and a physical capacity of 209 beds. The MSH daily population has routinely exceeded 200 persons during the first five months of FY 2008, averaging 209 over that time period.

MSH has had difficulty recruiting and retaining nursing staff. The executive is considering raising MSH pay levels for nursing staff to be commensurate with pay rates at Montana State Prison, which are about \$2.50 per hour higher. MSH has 42 FTE nursing positions. Vacancy levels have ranged from a low of 2 percent in October 2006 to a high of 33 percent in November 2007 (see the following chart).



One of the performance measures being tracked by the LFC is the goal that 90 percent of the scheduled shifts for registered nurses will be filled.

Besides programmatic and treatment impacts, one of the most serious financial consequences would be the loss of Medicare and Medicaid certification, which would result in loss of reimbursement from those two programs.

The general fund is estimated to receive about \$3 million in Medicare and Medicaid reimbursement for MSH

services in the last year and a half of this biennium.

The Legislature approved funds to remodel the receiving hospital on the MSH campus. Some of the patients at MSH (as high as 20 at times) are housed in a unit in the receiving hospital in order to manage the high population levels. The division has considered several alternatives when the receiving hospital can no longer be used and will likely move persons to the Pintlar building and group home beds on campus.

Admissions to MSH have risen 5 percent compared to the 10 percent increase in the average daily census. The ability to discharge persons from MSH can be hindered by the availability of appropriate community placements. Persons providing public comment on this report also noted that some of the persons discharged from MSH are uninsured and not eligible for public programs, making it difficult to fund needed services. In 2007, the Legislature appropriated \$15.5 million from the general funds and \$3.8 million from other funds to expand adult community mental health services.

For more information, contact Lois Steinbeck at lsteinbeck@mt.gov or (406) 444-5391.

General Fund Update—FY 2008 Revenue Collections... Based on data through the end of November 2007, total general fund revenue collections for FY 2008 may exceed HJR 2 revenue estimates. While the outlook for most revenue categories has not changed materially since the May special session, the overall trend for general fund revenue for FY 2008 is strong. Almost all sources of revenue are on target or exceeding the estimates contained in HJR 2. The two exceptions are corporation income taxes and highway patrol fines. Since individual income taxes are the predominate source of revenue in the general fund, any shortfall in corporation income taxes and highway patrol fines should be easily offset by excess individual income taxes.

Despite the optimistic FY 2008 projections, a thorough analysis of the underlying economic conditions is imperative. The housing downturn, high energy and other commodity prices, and eroding consumer sentiment may affect future revenue collections. Without this analysis, erroneous conclusions could easily be drawn that may lead to inappropriate fiscal policy during the next legislative session. This may lead to a "boom and bust" cycle similar to the "dotcom" bubble that was followed by a precipitous fall in the equity markets and ultimately a reduction in state revenues during the 2003 biennium.

While staff will continue to monitor revenue trends, a thorough analysis of current revenue trends with an eye toward the future will be done during next spring and summer in preparation for the revenue estimate process of the Revenue and Transportation Interim Committee. This analysis will be the basis of LFD's revenue estimate recommendations to RTIC for the 2011 biennium. For more information, contact Terry Johnson at tjohnson@mt.gov or (406) 444-2952.

Workers' Compensation Old Fund Analysis... Staff presented a report on the history of the old fund liability,

beginning in the 1980s through the current \$32.6 million unfunded liability of the general fund. The report included a short discussion on old fund claimants and old fund administration. For more information, contact Kris Wilkinson at kwilkinson@mt.gov or (406) 444-5834.

State Fund Subcommittee Study Proposal...LFD staff also reported on the budget of the State Compensation Insurance Fund (Montana State Fund), and a presentation by fund management at their October 9, 2007 meeting. In response to the presentations, and due to concerns with high premium rates, LFC formed a subcommittee to examine increasing legislative oversight of the MSF and workers' compensation insurance related to budget impacts.

The LFC was provided background information on the Workers' Compensation Insurance Study Project, Labor-Management Advisory Council on Workers' Compensation, previous legislative examination of the Montana State Fund, current oversight of MSF, and workgroup options for consideration of increased legislative oversight. The subcommittee will be meeting in March. For more information, contact Kris Wilkinson.

Federal Medicaid FY 2009 Match Rate...The state Medicaid match rate is based on a formula that compares changes in a state's per capita income to changes in national per capita income based on a three-year time span. Montana per capita income has performed better than the national per capita income recently, so the state match rate is increasing. The FY 2009 federal Medicaid match rate will be lower than what was estimated during the 2007 legislative session and will raise state costs by about \$2 million in FY 2009. The Medicaid match rate affects services other than Medicaid, including the Children's Health Insurance Program and some foster care services. The state match rate increased to 31.76 percent from the budgeted rate of 31.49 percent. Each 1 percent change in the state Medicaid match rate raises or lowers state costs by about \$7.5 million. For more information, contact Lois Steinbeck at lsteinbeck@mt.gov or (406) 444-5391.

Fire Suppression Costs FY 2008...As of November 21, 2007, the state has incurred \$106.1 million in fire suppression costs, of which \$57.3 million is reimbursable by other parties, creating a net cost to the state of \$48.8 million. This is \$6.8 million over what was funded in HB 1, enacted in the September special session. Between the HB 1 appropriation and the governor's emergency fund, the estimated state share of those fires will be covered. If some portion of \$56.3 million owed to the state does not materialize, the burden on the state will increase proportionately. Because of this risk, LFD staff will monitor the cost settlement process and provide updates to the Legislative Finance Committee. For further information, contact Barb Smith at basmith@mt.gov or at (406) 444-5347.

Solvency of the Petroleum Tank Compensation Fund...LFD staff reported that petroleum tank compensation fund revenue is flat and administrative expenses are stable.

However, claims fluctuate based on the number of work plans submitted to and approved by the Petroleum Tank Compensation Board. The board has made recent policy changes to slow the obligation of funds which will aid in short-term solvency. Long-term solvency is at risk unless managerial or statutory changes are made to balance revenues and expenses. The report raised issues with how the fund operates, issues that contribute to the solvency problem. For additional information, contact Barb Smith.

Treasure State Endowment Program...LFD analyst Cathy Duncan presented a report on the impact of Treasure State Endowment Program changes on local governments across the state. In the 2009 biennium, the TSEP grants were authorized and endowment earnings were appropriated in HB 512, which also provided some changes to TSEP. The changes include the authorization of the entire recommended list of 56 grants, where in past biennia the program limited the amount of grants authorized using a ranking based on a set of seven criteria. The grants would be funded with the usual endowment earnings, which are normally used to fund the program, and with funds borrowed from the Board of Investments. In addition to authorizing the entire list of grants, a deadline was included which provided that if start up conditions (six conditions described in HB 512 that includes having all other project funding firmly committed) are not met by June 30, 2009, local governments will not receive their authorized TSEP grant and will need to reapply for their grants in the 2011 biennium. Some local governments have voiced concerns about the deadline, which was not a requirement in past biennia. Reapplication to the grant program is estimated to cost \$15,000. The LFC discussed several action options to reduce the local government impact and decided to discuss the topic at the next meeting of the Long-Range Planning interim working group. For more information, contact Cathy Duncan at cduncan@mt.gov or (406) 444-4580.

Long-Range Planning (LRP) Working Group...The LRP working group heard testimony on several agenda items. The working group discussed with staff from the Treasure State Endowment Program and the Renewable Resource Grant and Loan (RRGL) programs the status of all TSEP grants in the 2009 biennium. An update on project status from the RRGL program showed that 56 percent of the authorized RRGL projects are under contract. The working group briefly reviewed long-range status reports. These reports will provide the Legislature with information on the progress of long-range building and long-range IT projects. The reports will be available following approval by the working group.

Finally, the working group heard a report on the proposed construction of the remote enterprise system services center (ESSC). Miles City, Billings, and Forsyth are under consideration for the proposed ESSC project. There are some physical, technical, and redundancy concerns in the project.

Working group members will hold a conference call to discuss topics to be covered in the next working group

meeting in March. For more information, contact Cathy Duncan.

STATE ADMINISTRATION AND VETERANS' AFFAIRS COMMITTEE

HJR 46 mail ballot pilot project approved....At its Nov. 30 meeting, the State Administration and Veterans' Affairs Interim Committee gave the green light to development of draft legislation for a pilot project that would allow expanded use of mail ballot elections. The decision came as the committee wrapped up work on election-related issues, as part of the House Joint Resolution 46 study of election laws.

Panelists presented their views on mail ballot elections to deal with the HJR 46 question of whether use of those elections should be expanded or required. Currently, mail ballot elections may be held for school and certain local government elections, but may not be used for statewide or federal elections.

Missoula County Clerk and Recorder Vickie Zeier discussed the recent mail ballot election she conducted for Missoula's city elections. Turnout topped 46%, compared with 33% or less in the last three city elections. In addition, she said most voters expressed satisfaction with the process. Zeier and Pondera County Clerk and Recorder Janice Hoppes outlined the benefits of mail ballot elections, including higher turnout and a reduced need for election workers, who are becoming increasingly difficult to recruit.

Sara Busey of the League of Women Voters expressed the league's support for mail ballot elections, but also noted areas that should be considered to make sure that no voter is disenfranchised. She focused on the need to conduct a strong outreach program so voters who don't receive ballots know they need to update their addresses or reactivate their registration. She also emphasized the need to ensure that ballots cannot be forwarded or intercepted and the need to impose significant penalties for violation of election laws. Alysha Goheen Janotta cautioned committee members that turnout evidence is mixed and mail delivery problems may exist for people who live in transitional and multi-unit housing. She suggested that election procedures for any expanded mail balloting make it easy for people to return their ballot at drop-off sites if they don't want to pay or can't afford the return postage.

The committee reviewed the four mail ballot options agreed upon by a group of interested parties who have been participating in the HJR 46 study: leaving current law as it is, giving counties the option of conducting all elections by mail, establishing a time-limited pilot project in a selected number of counties and gathering data to help in future decisions on mail ballot elections, or requiring that all counties conduct all elections by mail.

The committee decided on the pilot project approach and will hear options at their January meeting on items to consider for inclusion in any subsequent legislation.

Election funding and administration also reviewed...In addition to the mail ballot panel, the committee heard more about election-related funding problems facing Montana's counties and about the intricacies of administering school elections and other elections. County elections officials, the secretary of state's office, school associations, and interest groups active in elections took part in two other panel discussions on Nov. 30.

Members of the funding panel discussed how changes in state and federal law have increased the costs of running elections, ranging from increased costs of printing ballots to the need for certain computer equipment to participate in the statewide voter system and the computerized voting systems necessary to meet federal requirements. Some speakers noted that virtually no state general fund money is provided to support county election costs, although county ballots include statewide candidates and ballot issues.

County and school representatives discussed the administration of school elections, which typically are conducted by school districts unless the district asks the county to run the election. Most school clerks believe elections have become more complicated and difficult to run and would be interested in having counties conduct the elections. However, they are concerned about the possible costs and the fact the schools would lose control over some aspects of the election process.

Yellowstone County Elections Administrator Duane Winslow told the committee that clerks and recorders are the most qualified to run elections because they are typically better trained in election law and procedures and because they handle so many elections. He added that although the advent of the computerized, statewide voter system makes it easier to run elections for school districts that cross county boundaries, the county clerks are still concerned that the timing of school elections may place a burden on their offices as they prepare for June primary elections.

The committee asked staff to gather more information about the counties' funding and resource concerns, but did not take any action on the idea of changing current law concerning the administration of school elections.

HJR46 activities on tap for January....At the Jan. 7 meeting, the committee will review the first draft of legislation related to the HJR 46 study. The resolution directs the committee to draft legislation to clean up and clarify election laws. Sue O'Connell, research analyst, will present a first draft of the revisions developed by the HJR 46 work group that has been meeting since August. The draft legislation is available on the HJR 46 Study webpage.

In addition, O'Connell will present the committee with a number of options for legislation establishing the mail ballot pilot project, with an expectation that legislation will be drafted for the committee's review in February.

HJR 59 retirement systems study... The committee continues to examine public employee retirement systems as directed by HJR 59. At the Jan. 7 meeting, the committee will review the *Principles and Guidelines for Public Employee*

Retirement Systems, adopted by the by the committee during the 2005-06 interim. The committee may recommend changes to reflect new perspectives or new goals and objectives. Any changes to the *Principles and Guidelines* will be incorporated into an updated version for the committee's consideration and likely adoption at its February meeting.

The committee also continues to review retirement topics related to the "legislator's guide" envisioned in HJR 59. Elements that may be dealt with in the guide include: retirement plan theory and design; retirement plan practices in Montana and in other, selected states or jurisdictions; and factors and assumptions that affect the actuarial soundness of Montana's public employee retirement plans.

January meeting...The State Administration and Veterans' Affairs Committee will meet on Monday, Jan. 7 in Room 102 of the Capitol. Election laws and retirement system matters will be the core of the meeting, with other topics, unknown at this time, filling out the remainder of the agenda. The tentative agenda for the January meeting will be posted on the committee's webpage after it is approved by the presiding officer and will be updated as the meeting date approaches.

For more information about the committee, contact Dave Bohyer, committee staff, at dbohyer@mt.gov or (406) 444-3064, or Rep. Franke Wilmer, committee chair, at (406) 599-3619.

CHILDREN, FAMILIES, HEALTH, AND HUMAN SERVICES COMMITTEE

Committee examines health care access and delivery...The Children, Families, Health, and Human Services Interim Committee is meeting on Friday, Jan. 25 in Room 137 of the Capitol. The committee will focus on the Senate Joint Resolution 15 study of health care access and delivery systems. A study-related subcommittee will meet on

Jan. 24, in advance of the committee's Jan. 25 meeting in Helena.

SJR 15 subcommittee in the round...Hospital administrators, physicians, and other health care service providers will participate in a Jan. 24 roundtable discussion on two elements of the SJR 15 study. Representatives from major hospitals in the state, along with physicians and other health care providers, will discuss specialty hospitals and economic credentialing during a meeting with the SJR 15 subcommittee of Sen. Dan Weinberg and Rep. Ernie Dutton.

Questions being asked of participants in the roundtable include:

- Is there a need to regulate the health care system to control health care costs and to ensure that communities have a health care safety net?
- What type of system best serves an individual, regardless of whether that person has public or private insurance or the ability to pay out of pocket?

- What solutions are available if compromise is needed to defuse what some consider to be a dispute between physicians and hospitals? Specifically, is there a middle ground that recognizes self-referrals and for-profit health care but does not undermine community safety nets?

The subcommittee will meet in Room 137 of the Capitol starting at 11 a.m.

Consumer-driven and community health care....The full committee will review what other states, including Pennsylvania and Texas, are doing to provide consumers with information on health care pricing and quality so that they can choose their health care providers. The premise behind consumer-driven health care is that competition may help to restrain increases in health care costs. Also on the agenda is an update from Mike Foster regarding HealthShare Montana's electronic records project.

Another aspect of the SJR 15 study on access and delivery involves community health care centers. Lil Anderson, chief executive officer and health officer for the Yellowstone City-County Health Department and current president of the National Association of Community Health Centers, will describe the services that community health centers provide and the use of sliding fees to recognize patients' ability to pay.

Preliminary EMS audit information to be presented this month...The Legislative Audit Division will make the first of two presentations on its performance audit involving emergency medical services, as the committee continues work on its SJR 5 study at the January meeting. SJR 5 is a study of the challenges facing Montana's EMS system.

The audit division has been conducting an audit of the EMS and Trauma Systems Section of the Department of Public Health and Human Services. This month, it will present the committee with information on the types of services available in Montana, the number of providers, and gaps in the system. Legislative recommendations stemming from the audit will be presented at the committee's March meeting. The committee also is tentatively scheduled to hear more about reimbursements and about work done in other states to improve EMS systems.

Mental health study proceeds...A Request for Proposals was issued in December for a consulting firm to undertake a three-pronged study of Montana's publicly funded mental health system. The RFP sets out three tasks for the firm hired to conduct the study: assess the needs of Montana's mental health system and identify the gaps in services; inventory the current funding sources available for the publicly funded system and identify ways to leverage additional federal or state funds; and identify ways in which services could be better coordinated and integrated.

House Bill 2, approved in the May special session, appropriated \$200,000 for the study, and the Legislative Council assigned it to the Children and Families Committee in September. Interested firms have until Jan. 8 to submit a

response to the RFP. Committee staff will evaluate the proposals in mid-January, and the committee will award a contract based on the results of the evaluation.

Stay tuned... The agenda and other materials for the January meeting will be posted on the committee's webpage as they become available. Please contact Sue O'Connell, committee staff, at (406) 444-3597 or soconnell@mt.gov for more information about committee activities.

ECONOMIC AFFAIRS COMMITTEE

Committee to examine value-added agriculture, other topics in February... The Economic Affairs Interim Committee will meet in Great Falls on Thursday, Feb. 7 at a site to be determined. The HJR 48 subcommittee will meet at 10 a.m., Feb. 6 in Room 137 of the Capitol. Committee and subcommittee agendas and other meeting material will be available on the EAIC webpage.

The Great Falls meeting follows a successful meeting in Miles City in accordance with the committee's goal of completing its assigned studies by hearing local perspectives on study topics. The committee will continue its analysis of value-added agriculture, specifically exploring the relationship between the producers in the Golden Triangle and the industrial and economic hub of Great Falls. Invited speakers include representatives of the Anheuser-Busch plant, Timeless Seeds, and Pasta Montana.

Workers' comp and state employees... The committee will also begin an inquiry into workers' compensation for state employees. At the most recent Legislative Finance Committee meeting, Montana State Fund officials reported that accident rates in Montana are 57% above the national average, and return to work time clocks in at 67% higher. State agencies currently represent a little less than one-third of the total State Fund, and, unfortunately, fare no better than the private sector in keeping costs in check. Recent initiatives have been taken to prevent accidents and get healing persons back into a productive role for the benefit of their own health and contribution to public service. The committee will hear briefings on these efforts and question officials on this matter.

For more information about the Economic Affairs Committee contact Andrew Geiger, committee staff, at (406) 444-5367 or angeiger@mt.gov.

HJR 48 subcommittee on health insurance... At the Feb. 6 meeting, the HJR 48 subcommittee on health insurance reforms will review measures adopted in other states to expand the number of people with health insurance in some form. State reforms under consideration include: Vermont, Indiana, and Maine, along with proposals considered in Wisconsin and California. In addition, state Medicaid and Children's Health Insurance Program officials

will discuss what measures legislators can take to expand public health insurance coverage under Medicaid or CHIP. The subcommittee will hear an update regarding the initiative being proposed to expand CHIP to cover all Montana children.

The subcommittee also will discuss whether to propose to the full committee one or more options for bill drafts dealing with health insurance reforms in Montana. The members will hear an update on work groups formed in response to a Healthcare Forum held in October in Helena. Interested persons are meeting to evaluate pricing and quality transparency, wellness promotion, health care coverage, rural needs, and ways to improve value in health care. For more information about the HJR 48 subcommittee, contact Pat Murdo, subcommittee staff, at (406) 444-3594 or pmurdo@mt.gov.

STATE-TRIBAL RELATIONS COMMITTEE

Implementation of legislation... The State-Tribal Relations Committee is meeting Jan. 16 and 17 in Room 137 of the Capitol. Several state agencies will report on the implementation of legislation adopted in 2005 and 2007. Among the bills under review are:

- HB 412, introduced by Rep. Jonathan Windy Boy in the 2005 session to improve health programs on Indian reservations. The Department of Public Health and Human Services will discuss an agreement with the Rocky Boy Reservation to have Medicaid eligibility technicians on the reservation.
- HB 286, introduced by Rep. Shannon Augare in 2007 to provide additional incentives for businesses to locate in high poverty areas through the workforce training program. Jerry Lamb of the Governor's Office of Economic Development and Andy Poole of the Department of Commerce will review requests for funding from businesses on or near reservations.
- HB 636, introduced by Rep. Norma Bixby in 2007 to prohibit quotas in evaluating law enforcement officers. The Attorney General's office will review implementation.

Several programs under review... The committee also will hear updates on subjects ranging from the status of state-tribal water compacts to cooperative agreements regarding disaster assistance. Other topics on the agenda include:

- Indian participation in the Jobs for Montana Graduates program;
- jurisdiction concerns related to probation or parole of Indians living on reservations;
- Indian Education for All;

- Indian dropout rates;
- development of a Montana Arts Council data base to help determine authenticity of Indian-made arts and crafts or other products and the status of a "truth-in-advertising" statute for display of Indian-made articles;
- status of gambling compacts on the reservations; and
- updates on the Adam Walsh Act, which requires tribal governments to state whether they will implement the Adam Walsh Act requirements for child abuse registries and registration of sex offenders, TANF (temporary assistance for needy families), foster care agreements, and placement of methamphetamine treatment programs on or near reservations.

Additional information....For more information on the meeting, contact Pat Murdo, committee staff, at (406) 444-3594, or pmurdo@mt.gov. Information is also available on the committee's webpage.

EDUCATION AND LOCAL GOVERNMENT COMMITTEE

K-12 subcommittee...The K-12 subcommittee met Dec. 13 to consider a variety of topics. The Department of Administration reported on the second phase of the statewide school facilities inventory. The department expects that it will issue a final report by June, 2008.

Sen. Carol Juneau reported on a Sept. 28-29 summit meeting on the American Indian Education Achievement Gap held in Helena. Key components of the meeting were: early childhood education; improving curriculum and standards; strengthening student support services; and designing modern learning communities. The subcommittee discussed the challenges faced in tribal areas as well as economically depressed areas. Summit participants are consolidating their findings and policy options. These topics will be on the committee's March agenda.

Sen. Jim Peterson discussed education and tax reform and told the subcommittee that the Revenue and Transportation Committee has formed a subcommittee to deal with school funding and property taxes. He suggested that the K-12 subcommittee coordinate with the RTIC subcommittee.

Sen. Kitzenberg described the problems Montana's rural schools other schools are having with declining enrollment. He said that Oregon's school funding formula provides relief to small schools. He asked subcommittee members if they wanted to examine the Oregon approach or any other mechanism to help Montana schools facing these

challenges.

Joint meeting of K-12 and PEPB subcommittees...The K-12 and Postsecondary Education Policy and Budget subcommittees met jointly to discuss college preparedness and remedial courses. Representatives of the Office of Public Instruction, the Office of the Commissioner of Higher Education, and the Board of Public Education described their efforts to lower the remediation rate, which currently stands at about 38 percent of incoming college freshmen.

Dr. James Caillier of the Taylor Foundation and Bill Schilling of the Wyoming Heritage Foundation discussed the Taylor Plan for college preparedness and performance monitoring. The plan, conceived by Patrick Taylor of Louisiana, provides college scholarships for low and moderate-income students based on academic achievement. The plan has been adopted in various forms by about 26 states.

Several committee members attended a working breakfast on Friday to learn more about the Taylor Plan. Committee members asked staff to compile information about scholarship programs that are available to incoming college freshmen.

Full committee reviews K-12 education funding...Jim Standaert of the Legislative Fiscal Division provided an analysis of school funding in the second year of the 2009 biennium. He said that many school districts will either have to cut budgets or submit mill levy increases to voters. (Fifty-two percent of Montana school districts have mill increases that are above maximum budget.) The committee discussed what responses might be appropriate. Sen. Kitzenberg moved that ELG formally ask the governor to call a special session to deal with school funding needs in fiscal year 2009. The motion failed on a 3-9 vote.

However, the committee asked staff to identify two neighboring states—in addition to Oregon—having funding mechanisms that provide relief for rural schools or schools with declining enrollment, or both. The committee will analyze what effects those mechanisms would have on Montana's school funding.

Distance learning...Steve Meloy, Board of Public Education, Lance Melton, Montana School Boards Association, and Tom Gibson, e-Learning Business Development of the Montana university system, discussed distance learning. They talked about the possible effects upon dual credit programs of tightening the licensure of teachers who conduct online courses. The Board of Public Education proposed licensure rule changes last spring, but delayed portions of the rules until a broad-based task force could examine the effects. The committee wants more information about distance learning programs in Montana (and in other states), including the Montana Schools e-Learning Consortium.

Other topics...A Department of Commerce official provided the committee with information on the distribution of Treasure State Endowment Program funds and the

implementation of HB 512. Sen. Dave Lewis and Rep. Gary Branae will work with a subcommittee of the Legislative Finance Committee in reviewing the implementation of TSEP.

Tom Cotton and Mike Nicocia of the Montana Quality Education Coalition also presented an analysis of school district funding in the second year of the 2009 biennium.

The Commissioner of Higher Education provided an overview of postsecondary correctional education. Sen. Kim Gillan and Rep. John Ward will work with the commissioner as well as the Department of Corrections to learn more about the educational programs in Montana's prisons and to consider the development of legislative proposals.

Kris Wilkinson of the Legislative Fiscal Division described the performance measurements for education. These measurements are important for making school funding decisions.

Sen. Rick Laible, committee chair, told the committee that the Department of Public Health and Human Services is working with interested parties on whether public fees for vital statistics should be increased in an equitable, sustainable, and revenue-neutral way. The department agreed earlier to halt rule making on the fee increase until it could meet with all interested parties. These groups might develop a legislative proposal for the committee's consideration.

For more information about the Education and Local Government Committee, contact Casey Barrs, committee staff, at (406) 444-3957 or cbarrs@mt.gov.

LEGISLATIVE AUDIT COMMITTEE

The Legislative Audit Committee met Nov. 28 and 29 in Helena. The following reports were issued:

Financial Audits

Montana Board of Housing, 07-07...This report documents the results of the financial audit of the Montana Board of Housing (board), a component unit of the state of Montana, for the fiscal year ended June 30, 2007. The objectives of this audit include determining if the financial statements for fiscal year 2006-07, with comparative

Montana Arts Council, 07-24...The audit report is the result of the financial-compliance audit report on the Montana Arts Council (council) for the two fiscal years ended June 30, 2007. The objectives of the audit included determining whether the council's financial schedules present fairly its results of operations and changes in fund balance for each of the fiscal years ended June 30, 2007, and June 30, 2006, assessing the council's compliance with applicable state laws and regulations, and obtaining an understanding of the council's control system, and if appropriate, making recommendations for improvement. The report contains no recommendations to the council and an unqualified opinion on the council's financial schedules.

financial amounts for fiscal year 2005-06, present fairly the Montana Board of Housing's financial position at June 30 for each fiscal year and the results of its operations for the fiscal years then ended. Also tested was compliance with laws that have a direct and material effect on the financial statements. Additional compliance testing for the program is included in the biennial financial-compliance audit of the Department of Commerce. The report contains no recommendations to the board and an unqualified opinion on the board's financial statements.

Teacher's Retirement System, 07-09...This report documents the results of the financial audit report on the Teachers' Retirement System (system), a component unit of the state of Montana, for the fiscal year ending June 30, 2007. The financial statements include information for the year ended June 30, 2007 and comparative information for the fiscal year ended June 30, 2006. The objectives of the financial audit were to determine the system's compliance with direct and material state laws and regulations related to the financial statements, obtain an understanding of the system's control processes, determine if the financial statements of fiduciary net assets and changes in fiduciary net assets at June 30, 2007, are fairly presented, and determine the implementation status of the prior audit recommendation. The report contains no recommendations to the system and an unqualified opinion on the system's financial statements.

Financial-Compliance Audits

Department of Agriculture, 07-21The Legislative Audit Division performed a financial-compliance audit of the Montana Department of Agriculture for the two fiscal years ended June 30, 2007. The objectives of the audit include determining whether the department's financial schedules present fairly, in accordance with state accounting policy, the results of operations for each of the two fiscal years ended June 30, 2007, and documenting the status of the three recommendations from the prior audit. Also tested was compliance with selected laws related to operations of the department. The report contains no recommendations to the department and a qualified opinion on the department's financial schedules.

Department of Commerce, 07-16...The audit report is the result of the financial-compliance audit of the Department of Commerce (department) for the two fiscal years ended June 30, 2007. LAD issued a qualified opinion on the financial schedules contained in this report. This means the reader should use caution in relying on the financial information presented in the financial schedules, as well as the supporting data on the state's accounting system. The report contains seven recommendations related to the department's compliance with state law, state accounting policy, and federal regulations.

Office of the Commissioner of Higher Education, 07-20...This audit report is the result of the financial-compliance

audit of the Office of the Commissioner of Higher Education (office) for the two fiscal years ended June 30, 2007. The prior audit report contained two recommendations. The office implemented one recommendation and partially implemented one recommendation. The six recommendations in this report relate to compliance with state and federal laws and regulations. LAD issued a qualified opinion on the commissioner's financial schedules. The reader should use caution when relying on the financial information presented and the supporting information on the state's accounting system.

Department of Fish, Wildlife and Parks, 07-18...This audit report is the result of the financial-compliance audit of the Department of Fish, Wildlife and Parks for the two fiscal years ending June 30, 2007. LAD issued an unqualified opinion on the financial schedules contained in this report. This means the reader may rely on the information presented in the financial schedules and the supporting data on the state's accounting system. The report contains six recommendations directed to the department. The recommendations address compliance with written contracts, expenditure approval control, draws of federal cash, diversion of general license account funds, recording multi-year easements, and revenue recognition.

Department of Labor and Industry, 07-15...This report is the result of the financial-compliance audit of the Department of Labor and Industry for the two fiscal years ended June 30, 2007. The report documents 13 recommendations made as a result of issues noted during the audit. Included in this report are control issues related to collections and federal and state compliance issues. LAD issued an unqualified opinion on the department's financial schedules presented in the report. This means the reader may rely on the financial information presented and the supporting data on the state's accounting system.

Montana State Library Commission, 07-23...This audit report is the result of the financial-compliance audit of the Montana State Library Commission for the two fiscal years ending June 30, 2007. LAD issued a qualified opinion on the Schedule of Total Revenues and Transfers-In and Schedule of Changes in Fund Balances for both fiscal years. The reader should use caution in relying on the information presented on these financial schedules, as well as the supporting data on the state's accounting system. An unqualified opinion was issued on the Schedules of Total Expenditures and Transfers-Out for both fiscal years. The report contains one recommendation related to revenue recognition by the Library.

Department of Livestock, 07-22...This audit report documents the results of the financial-compliance audit of the Department of Livestock (department) for the two fiscal years ended June 30, 2007. LAD issued an unqualified opinion on the department's financial schedules contained in the report. This means the reader may rely on the financial information and supporting data on the state's accounting

records. This report contains five recommendations where the department could improve accounting and enhance compliance with federal regulations and state laws.

Department of Public Health and Human Services, 07-14...This report documents the results of the financial-compliance audit of the Department of Public Health and Human Services (department) for the two fiscal years ended June 30, 2007. LAD issued an unqualified opinion on the financial schedules for the fiscal year ending June 30, 2006. The reader may rely on the presented financial information and the supporting data on the state's accounting system for fiscal year 2005-06. A qualified opinion was issued on the financial schedules for the fiscal year ending June 30, 2007. The reader should use caution when using the information presented in the schedules, as well as the supporting data on the state's accounting system for fiscal year 2006-07. This audit report contains 19 recommendations to the department. The issues discussed in the report include compliance with state law related to accumulation of employee leave balances, improving compliance with legal requirements of the department's federal assistance programs, and modifying access to the electronic benefits transfer system.

Montana Department of Transportation, 07-17...This report documents the results of the financial-compliance audit of the Montana Department of Transportation for the two fiscal years ended June 30, 2007. LAD issued an unqualified opinion on the financial schedules presented in the report. This means the reader may rely on the presented financial information and the supporting information on the state's accounting system. The report contains 14 recommendations directed to the department. The recommendations concern compliance with state and federal requirements regarding excess annual leave and exempt compensatory time, program income, timely federal reimbursements, diversion of highway revenue, distributions, Equipment Internal Service Fund, infrastructure asset transactions, tribal motor fuels administration account, railroad rights-of-way and loans, Scenic-Historic Byways Advisory Council, and farewell signs. There is a disclosure issue regarding union pension discrepancies.

Financial-Related Audits

Montana State University (All Campuses), 07-13...This report documents the results of the financial-related audit of Montana State University (all campuses), for the two fiscal years ended June 30, 2007. The report contains five recommendations relating to land grant income, termination procedures, criminal background checks, confidential records disposal, and automotive job cost procedures.

The University of Montana (All Campuses), 07-12...This report documents the results of the financial-related audit of The University of Montana (All Campuses) for the two fiscal years ended June 30, 2007. The report contains five recommendations directed to the university. The recommendations address inventory controls, controls over

federal grant expenses, corporate equipment, sole source contracting, and athletic trade-out agreements.

Performance Audits

Montana's 9-1-1 Emergency Telephone System, Department of Administration, 07P-12... 9-1-1 is the universal number in the U.S. that provides access to emergency services. The 1985 Legislature delegated to the Department of Administration (department) responsibility for oversight and monitoring of a state system. There are 57 public safety answering points (PSAPs) operated by counties and cities responsible for answering 9-1-1 calls and dispatching emergency services. To help local governments implement, operate, and maintain 9-1-1 services, the Legislature levied surcharges of \$1.00 on each telephone access line.

The Legislative Audit Division (LAD) concludes that the department has met its general statutory obligations for assisting PSAPs, distributing program funds to counties, and monitoring system development. However, the audit also determined the department and Legislature should re-examine the 9-1-1 system in light of technological changes and system status. The following findings illustrate why LAD believes the program needs modification:

- Statute does not give the department clear authority to set standards and direct program activities to ensure standardization and assure minimum statewide services are provided.
- Some PSAPs have accumulated relatively large reserves from surcharge revenues, but statute is unclear on how PSAPs may use program funds held in reserve.
- A mathematical oversight in the statutory methodology for distributing surcharge revenues results in fifteen counties receiving less funding than they should receive.
- Program expenditures are not tied to deployment outcomes.
- The department does not have management information for program oversight and management.
- Because some PSAPs have small volumes of 9-1-1 calls, it may be more efficient for PSAPs and the department to consider PSAP consolidation to reduce state and local government expenditures. Consolidation could be phased in as PSAPs replace aging 9-1-1 systems and would not jeopardize effectiveness of 9-1-1 service.

The Legislative Audit Division recommended the department seek legislative change to the statutory methodology to resolve the disparity in distribution of 9-1-1 surcharge revenues and to improve the department's collection and compilation of management information. LAD recommended the Legislature modify state law to clarify use of program funds, to specify minimum levels of 9-1-1 services provided, and to increase department authority to oversee and direct statewide 9-1-1 activities. LAD also recommended the Legislature revise how unused 9-1-1 funds deposited in the state General Fund are expended.

Chemical Dependency and Sex Offender Treatment Programs – MSP and MWP, 07P-08... The Montana State Prison (MSP) and the Montana Women's Prison (MWP) are responsible for supervision of felony offenders, including providing programs to address offender needs. This audit focused on treatment programs at MSP and MWP. Waiting lists exist at both prisons due to a greater demand for treatment than resources can address. This results in hundreds of inmates waiting for treatment. LAD analyzed available data and made several observations regarding effects on inmate's length of stay in a secure facility including:

- Court sentences and Board of Pardons and Parole expectations
- Prison populations and the existence of waiting lists
- Availability of professional resources and space

While both facilities have treatment tracking systems, neither compiles detailed analytical information, and neither has established a methodology for analyzing operations to potentially improve outcomes. Additionally, the department reports recidivism rates, but there is no link to treatment programs, nor are there any formalized performance measures. The report recommendations address strengthening Department of Corrections operations by capturing and analyzing data, and evaluating the effectiveness of treatment programs.

Information System Audits

Policy Holder System, Montana State Fund, 07DP-14... The Montana State Fund currently provides workers' compensation coverage for approximately 30,000 Montana employers. Employers who have elected to have State Fund coverage are considered policy holders. As policy holders, they are required to pay an annual premium. It is through premium payments made by policy holders, that State Fund's operations are supported. Part of the responsibility of State Fund is to create and maintain policy holder records, as well as calculate and process premium payments. To assist in the maintenance of policy holder records, State Fund has implemented a computer system called the Policy Holder System, or PHS. The PHS is designed to create and maintain policy holder accounts, bill policy holders, and process payments made by policy holders.

Auditors reviewed the PHS control environment to ensure premium and payments were processed in a complete and accurate manner. Two recommendations were made for the development and implementation of review procedures to ensure coverage levels are current in the PHS and excessive user access to the PHS is identified and removed.

Unemployment Insurance Tax System, Department of Labor and Industry, 07DP-03... The Department of Labor and Industry's Unemployment Insurance Division maintains and operates the Unemployment Insurance Tax (UIT) System to assist in the administration of Montana employer's unemployment insurance tax contribution records and

premiums. There are over 37,000 active employers currently in the system with unemployment insurance tax collected reaching just under \$83 million.

The Legislative Audit Division, Information Systems audit team, performed an audit of the UIT System focusing on the system's operations including tax calculations and data sharing with other systems, as well as the Unemployment Insurance Division's processes for granting access to system components and system change management. This report contains a two part recommendation: 1. Develop review procedures to identify and remove inappropriate access to the UIT system; and 2. Remove the reconciliation component in the system.

Contract Audits

Consumer Counsel Financial-Compliance, 07C-06...This financial-compliance audit report contains the results of the audit of the Consumer Counsel for the fiscal year ended June 30, 2007. The audit was conducted by JCCS, PC, under contract between the firm and the Legislative Audit Division. The report contains an unqualified opinion on the financial statements on the financial statements contained in the report. This means the reader may rely on the financial information presented.

Legislative Branch, Excluding the Consumer Counsel Financial-Compliance, 07C-05...This financial-compliance audit report contains the results of the audit of the Legislative Branch Excluding the Consumer Counsel for the fiscal year ended June 30, 2007. The audit was conducted by JCCS, PC, under contract between the firm and the Legislative Audit Division. The report contains an unqualified opinion on the financial statements contained in the report. This means the reader may rely on the financial information presented.

Flathead Valley Community College – (Contracted) Financial Audit, 07C-08...This financial-compliance audit report contains the results of the audit of Flathead Valley Community College for the fiscal year ended June 30, 2007. The audit was conducted by Denning, Downey & Associates, under contract between the firm and the Legislative Audit Division. The report contains an unqualified opinion on the financial statements contained in the report. This means the reader may rely on the financial information presented.

Miles Community College – (Contracted) Financial Audit, 07C-10...This financial-compliance audit report contains the results of the audit of Miles Community College for the fiscal year ended June 30, 2007. The audit was conducted by Denning, Downey & Associates, under contract between the firm and the Legislative Audit Division. The report contains an unqualified opinion on the financial statements contained in the report. This means the reader may rely on the financial information presented.

Montana State Lottery (Contracted) Cash Drawing Observations, 07C-03...This report contains the results of the observation of the Montana State Lottery, Department of

Administration Drawings for the year ended June 30, 2005. The observations were conducted by Galusha, Higgins, & Galusha, PC, under a contract with the Legislative Audit Division. There are no recommendations directed to the Lottery as a result of this contract report.

Montana State Lottery – (Contracted) Financial-Compliance Audit, 07C-02...This financial-compliance audit report contains the results of the audit of the Montana State Lottery for the fiscal year ended June 30, 2007. The audit was conducted by Galusha, Higgins, & Galusha, PC, under contract between the firm and the Legislative Audit Division. The report contains an unqualified opinion on the financial statements contained in the report. This means the reader may rely on the financial information presented.

Montana University System Workers' Compensation Program – (Contracted) Financial Audit, 07C-07...This financial-compliance audit report contains the results of the audit of Montana University System Workers' Compensation Program for the fiscal year ended June 30, 2007. The audit was conducted by JCCS, PC, under contract between the firm and the Legislative Audit Division. The report contains an unqualified opinion on the financial statements contained in the report. This means the reader may rely on the financial information presented.

Next Meeting in January...The Legislative Audit Committee is scheduled to meet Jan. 23 in Room 102 of the Capitol. The following audit reports will be presented:

Financial Audits

Board of Investments
Montana Guaranteed Student Loan Program
Montana State Fund
Montana State University
Public Employees' Retirement Board
State of Montana
The University of Montana

Federal Single Audit

Montana Single Audit Report

Financial-Compliance Audit

Office of Public Instruction

Performance Audit

Evaluation of the State Grain Laboratory's Operations and Future Viability, Dept. of Agriculture

Information Systems Audits

Web Server Security Review
SABHRS

Contract Audit

Dawson Community College

REVENUE AND TRANSPORTATION COMMITTEE

Subcommittees meeting in February... The Revenue and Transportation Committee is meeting Feb. 7 and 8. The SJR 31 subcommittee on school funding and property taxes and the HB 488 subcommittee on property reappraisal will meet separately on Feb. 7 in Helena. The agendas for the subcommittees have not been set, but the SJR 31 subcommittee will, among other things, review reports prepared for the Quality Schools Interim Committee last interim.

The HB 488 subcommittee will review a report on the history of property reappraisal cycles in Montana and will begin discussing mitigation strategies that may be considered to offset increases in property values of agricultural land, residential and commercial land and improvements, and forest land resulting from reappraisal. The subcommittee may also discuss areas that the subcommittee may visit to gain public input on property reappraisal and mitigation strategies.

One subcommittee will meet in Room 137 of the Capitol and the other in Room 172.

Full committee meets Feb. 8... The full committee will meet at 8 a.m., Feb. 8 in Room 137 of the Capitol. As part of the HJR 61 study of state conformity with federal income taxes, committee staff will present a report on the Montana's degree of conformity with federal law. In addition, committee staff will present an update on recodifying certain provisions of individual income taxes and corporation license taxes under Title 15, chapters 30 and 31.

The committee will also begin reviewing factors that may be considered in revising the HB 9 property tax income tax credit relief multiple. The committee will also consider the ramifications of Judge Thomas Honzel's decision regarding the HB 9 trigger for the 2007 tax year.

Want to be in the loop?... The agenda and staff reports for the February meetings will be posted on the committee's webpage. For more information about the committee, contact Jeff Martin, committee staff, at (406) 444-3595 or jmartin@mt.gov.

THE BACK PAGE

WHAT YOU SHOULD KNOW BEFORE YOU DRINK A 12-PACK: BOTTLED WATER CONSUMPTION IN THE UNITED STATES

By Krista Lee Evans,
Legislative Research Analyst

WANT A DRINK?

The consumption of bottled water on hot summer days, long days at the office, or at sporting events is indicative that U.S. consumers drink billions of gallons of the stuff each year. The consumption of bottled water in the nation has skyrocketed over that last several years. According to the Beverage Marketing Association, the per capita consumption of bottled water in the United States was 27.6 gallons in 2006, and the amount of bottled water consumed in the nation has outpaced milk and coffee and is quickly gaining on beer. The table below shows the consumption of bottled water and the amount of revenue generated from the sale of the product.

U.S. Bottled Water Market				
Volume and Producer Revenue: 2001-2005				
Year	Gallons Sold, in Millions	Annual % Change	Revenue, in Millions	Annual Change
2001	5,185	--	\$6,881	--
2002	5,796	11.8%	\$7,901	14.8%
2003	6,270	8.2%	\$8,526	7.9%
2004	6,807	8.6%	\$9,170	7.5%
2005	7,537	10.7%	\$10,012	9.2%

Source: Beverage Marketing Corporation

The increasing consumption of bottled water has been touted by the bottled water industry. Nestle Waters North America, a producer and distributor of bottled water, included the following excerpt from a *Beverage World Magazine* article on its website:

"A continuing success story for the bottled water category has been the steady rise in per capita consumption, which sat at 23.8 gallons per capita in 2004. 'Bottled water is about 26 gallons per capita now and if you add in enhanced and fortified waters, it's closer to 27 or 28 gallons,' [Michael] Bellas asserts. Per cap consumption of bottled water has risen steadily since 1976 and the bottled water category has managed to more than double its per cap consumption level since 1995, when consumers drank an average of 11.7 gallons."

Beverage World Magazine, April 2006

IS BOTTLED WATER BETTER?

Whether bottled water is better than tap water is in the palate of the drinker. Some prefer bottled water because of its convenience, some prefer the taste, and some believe that it is of higher quality. However, bottled water is not necessarily of better or healthier than water that comes from the kitchen tap. The quality of the domestic water source depends on whether it is comes from a public water supply system or private well. Under Montana law a public water supply is a system for supplying water for human consumption from a community well, water hauler for cisterns, water bottling plant, water dispenser, or other water supply that has at least 15 service connections or that regularly serves at least 25 persons daily for any 60 or more days in a calendar year. The state requirements for tap water apply to bottled water.

FEDERAL AND INDUSTRY REGULATIONS

In addition to state law requirements, bottled water is regulated by the Food and Drug Administration as a packaged food under the Federal Food, Drug, and Cosmetics Act. The act gives the FDA broad regulatory authority over food that is sold in interstate commerce. Food manufacturers are responsible for producing safe, wholesome, and truthfully labeled food products, including bottled water. It is a violation of the law to introduce into interstate commerce adulterated or misbranded products.¹ Water bottled in one state and sold in another state is regulated by the FDA. The different types of bottled water, including artesian water, mineral water, purified water, sparkling bottled water, and spring water, are defined in the act. For example, artesian water is defined as "water from a well tapping a confined aquifer in which the water level stands at some height above the top of the aquifer". Spring water is defined as "[w]ater derived from an underground formation from which water flows naturally to the surface of the earth at an identified location. Spring water may be collected at the spring or through a bore hole tapping the underground formation feeding the spring, but there are additional requirements for use of a bore hole". If a bottled water company labels its product as "spring water" it must meet this definition.

The bottled water industry also regulates itself. Bottlers that are members of the International Bottled Water Association trade organization must meet the organization's model code and are subject to annual inspections by an independent third party. Bottlers will often note their membership in the organization on their labels. NSF International, a nonprofit consumer product testing company, tests bottled water products. An NSF certification means that the bottler complies with all applicable FDA requirements.

¹US Food and Drug Administration, Center for Food Safety and Applied Nutrition, "Bottled Water Regulation and the FDA", August-September 2002.

The FDA has adopted regulations for bottled water that are generally the same as the U.S. Environmental Protection Agency's regulations for tap water under the Safe Drinking Water Act. It may be that tap water is of equal or better quality than bottled water purchased at a local grocery or convenience store. Bottled water must meet minimum requirements, but a consumer does not know how close that water is to the maximum allowed amount of different kinds of contaminants. Water can be contaminated or polluted and still be considered safe for drinking--it depends on the concentration of the particular contaminant and whether the concentration falls below the standard set by the EPA or the FDA. Under Montana law, a water bottling plant is held to the same standards as a public water supply system.

OTHER CONCERNS

There are other concerns associated with the consumption

of bottled water. These include the amount of oil that is used to produce the plastic for the bottles, the space bottles take up in landfills, and the environmental impacts when the plastic bottles begin to break down. Some groups are encouraging the public to use reusable containers and bottles and use their own water as a way to reduce impacts to the environment.

KNOW WHAT YOU ARE DRINKING

The purpose of this article is not to promote or discourage the consumption of bottled water. But it is important to know what you are consuming and to recognize that bottled water is not necessarily healthier than tap water. There are a variety of reasons to drink bottled water that are legitimate and reasonable. My only recommendation is to know what you are drinking before you consume a 12-pack (of bottled water).



INTERIM CALENDAR

UNLESS OTHERWISE SPECIFIED, ALL ROOM DESIGNATIONS ARE IN THE CAPITOL

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
January 2008						
		1	2	3	4	5
6	7 State Administration and Veterans' Affairs Committee, Room 102, 8:30 a.m.	8	9	10 Law and Justice Committee, Room 137, 10 a.m.	11 Law and Justice Committee, Room 102 and Room 137, 8 a.m. Fire Suppression subcommittees, Room 152, 8 a.m.	12
13	14 EQC Agency Oversight, Subcom- mittee, Room 102 Environmental Quality Council, Room 102, 1 p.m.	15 Environmental Quality Council, Room 102, 8 a.m. Water Policy Committee, Hamilton Fairgrounds Building, 9 a.m.	16 Water Policy Committee, Hamilton Fair- grounds Building, 8 a.m. State-Tribal Relations Committee, Room 102	17 State-Tribal Relations Committee, Room 102	18	19
20	21	22	23 Legislative Audit Committee, Room 102	24 Energy and Telecommunications Committee, Room 172, 8 a.m. Children, Families, Health, and Human Services, SJR 15 study, Room 137, 11 a.m.	25 Children, Families, Health, and Human Services, Room 137, 8:30 a.m.	26
27	28 Legislative Council subcommittees	29 Legislative Council, Room 102	30	31		

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
February 2008						
					1	2
3	4	5	6 Economic Affairs Committee, HJR 48 subcommittee, Room 137, 10 a.m.	7 Economic Affairs Committee, Great Falls Revenue and Transportation Committee subcommittees, Room 137 and Room 172	8 Revenue and Transportation Committee, Room 137	9
10	11	12	13	14	15 Fire Suppression Committee: WUI subcommittee Infrastructure subcommittee	16
17	18	19 Water Policy Committee	20 Water Policy Committee	21	22 State Administration and Veterans' Affairs Committee	23
24	25	26	27	28 Law and Justice Committee	29 Law and Justice Committee	

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